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**CBO STUDY ON MILITARY OPERATION  
AND SUPPORT COSTS**

A study by the Congressional Budget Office, *Operation and Support Costs for the Department of Defense*, prepared at the request of the House Budget Committee, finds that it will be difficult to reduce operation and support (O&S) funding below today's levels in real terms, and real increases of a few percent a year may even prove necessary. The O&S costs pay personnel salaries and many other expenses required for the day-to-day operation of Department of Defense (DoD) forces. O&S funds amount to more than half of DoD's budget and are linked to military readiness--the ability of DoD forces to fight well early in a war--which could be a key factor in a future conflict.

The study uses two approaches to reach its conclusion. One approach, which estimates future O&S costs based on the number of military forces, projects that O&S funding could remain virtually constant in real terms over the next five years because growth in some types of forces is offset by declines in others. Another approach estimates O&S funds based on their historical relationship to the value of DoD's stock of major weapons. This approach projects real increases in O&S costs of at least 2.3 percent a year as expensive new weapons enter the DoD inventory. Both of these approaches are limited: they assume that historical relationships remain unchanged and that the Administration does not alter its force plans. The two projections provide a useful range of estimates, however, and they lie on either side of the Administration's O&S funding plan of February 1988, which calls for real growth averaging 1 percent a year.

Providing real increases in O&S funds, or even maintaining real O&S funding at its current level, could be difficult if the total DoD budget stays constant or declines. The cost of the many weapons programs now in development and procurement could worsen the problem of finding O&S funds. The study therefore considers three general approaches to holding down O&S costs: further reduce the number of military forces, carry out efficiencies to hold down costs, or simply reduce O&S costs without making clearly identified efficiencies or reductions in the number of forces. Each approach would involve some disadvantages, including the risk of harm to military readiness. Unfortunately, direct connections between O&S funding and indicators of military readiness are not sufficiently established to allow analysts to quantify the degree of risk with confidence.

Questions regarding the analysis should be directed to the author, Lane Pierrot, of the National Security Division (202) 226-2900. The Office of Intergovernmental Relations is CBO's Congressional liaison office and can be reached at 226-2600. For additional copies of the report, please call the Publications Office at 226-2809.



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